

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Appellant: LAWRENCE

Application Serial No.: 10/801,238

Filing Date: March 15, 2004

For: PUBLIC OFFERING RISK  
MANAGEMENT

) Confirmation No.: 2021

) Group Art Unit: 3696

) Examiner: William E. Rankins

) **APPEAL BRIEF**

) Attorney Docket No.: G08.147/U

) **PTO Customer Number 28062**

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Sir:

Appellants hereby appeal to the Board of Patent Appeals and Interferences from the decision of the Examiner in the Final Office Action mailed March 24, 2008 (the "Final Office Action"), rejecting claims 1 and 3-9.

## **REAL PARTY IN INTEREST**

The present application is assigned to GOLDMAN SACHS & CO., One New York Plaza, New York, New York 10004, U.S.A.

## **RELATED APPEALS AND INTERFERENCES**

No other appeals or interferences are known to Appellant, Appellant's legal representative, or assignee, which will directly affect, be directly affected by, or have a bearing on the Board's decision in the pending appeal.

## **STATUS OF CLAIMS**

Claims 1 and 3-12 are pending in this application. Claims 1 and 3-9 stand rejected and are now being appealed.

The status of claims 10-12 is unclear.<sup>1</sup>

Claims 2 and 13-19 have previously been canceled.

## **STATUS OF AMENDMENTS**

No amendments were filed after the Final Office Action.

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<sup>1</sup> The Summary sheet of the Final Office Action lists claims 1 and 3-12 as being rejected. The Action itself sets forth a double patenting rejection of claims 1-12 [sic] and a rejection under § 103 of claims 1-9 [sic]. Appellant submitted a Terminal Disclaimer after the Final Office Action, and in the Advisory Action dated July 1, 2008, the Examiner indicated that the double patenting rejection had been overcome. Thus there does not appear currently to be any rejection pending with respect to claims 10-12, all of which are directly or indirectly dependent on claim 1. Nevertheless, appellant infers from the first Office Action (mailed October 15, 2007) that it was probably the Examiner's intention to reject claims 10-12 on similar grounds to claim 1.

In his Response to the Final Office Action, filed on May 22, 2008, appellant pointed out in the last paragraph on page 4 that the status of claims 10-12 was uncertain. The Examiner did not address this issue in the Advisory Action. However, the Advisory Action does list claims 1 and 3-12 as rejected.

## SUMMARY OF CLAIMED SUBJECT MATTER

Conventional methods of making initial public offerings (IPOs) of shares of stock have sometimes resulted in scandal and abuse. (Specification, page 1, lines 12-13) It has been alleged that IPO shares have on occasion been priced “cheap” and then allocated on the basis of favoritism to investment bankers’ clients. (Specification, page 1, lines 19-25)

The present invention is concerned with a method of making an IPO that tends to prevent underpricing and corrupt allocation of IPO shares. (Specification, page 3, lines 12-13) According to this method, the offering takes place in two stages: In the first stage, a portion of the offering is made available for sale to qualified pre-auction bidders at a price set by the issuer or underwriter, and then the balance of the shares are sold at auction in the second stage. (Specification, page 6, lines 26-27; page 7, lines 18-19 and 24) Between the two stages, information about the pre-auction sale is published, including the pre-auction price and the identities of the pre-auction buyers. (Specification, page 7, lines 18-23)

\* \* \* \* \*

Appellants will now map the limitations of claim 1, the sole independent claim, to the disclosure of this application.

“Computer implemented method for allocating shares of stock comprising an initial public offering”—specification, page 4, lines 18-20; page 11, lines 3-4.

“Offering in a computer system, a subset of the shares to one or more pre-auction bidders at a pre-auction price”—specification, page 6, lines 26-27.

“Receiving into a memory in the computer system, an indication from the one or more pre-auction bidders accepting the offer for the shares at the pre-auction price”—specification, page 7, lines 4-5.

“Publishing in the computer system, information descriptive of one or more pre-auction sales of shares comprising the initial public offering, said information descriptive of the pre-auction sales of shares including the pre-auction price and identification of bidders who bought shares at the pre-auction price”—specification, page 7, lines 18-23.

“Accepting into the memory in the computer system, the offer for shares at the pre-auction price”—specification, page 15, lines 4-8.

“Auctioning with a processor in the computer system, the remaining shares”-- specification, page 7, lines 24-26.

## **GROUND OF REJECTION TO BE REVIEWED ON APPEAL**

Claims 1 and 3-9 are rejected under 35 U.S.C. § 103(a) as being unpatentable over Maltzman (U.S. patent publication 2002/0107779) in view of Moshal (U.S. patent publication 2001/0042041), Sloan (U.S. patent publication 2005/0091140), Sheehan (U.S. patent publication 2001/0049647), Buist (U.S. patent publication 2002/0035534), Ausubel (U.S. patent publication 2004/0054551), Agarwal (U.S. patent publication 2002/0099646), Hoffman (U.S. patent publication 2002/0049664), plus a taking of “Official Notice”.

## **ARGUMENT**

### ***I.     Applicable Law***

All of the issues in this appeal are related to rejections under 35 U.S.C. § 103(a). In these rejections, the Examiner found the claims at issue to be obvious in view of a proposed combination of references.

The recent Supreme Court decision in *KSR Int’l Co. v. Teleflex Inc.*<sup>2</sup> is now the leading case on the concept of obviousness. Quoting the statute, the Court observed that a patent may not be issued when

the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.<sup>3</sup>

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<sup>2</sup> 127 S.Ct. 1729, 82 USPQ2d 1385 (2007)

<sup>3</sup> Slip opinion, at pp. 1-2.

The Court went on to note that “the combination of familiar elements according to known methods is likely to be obvious when it does no more than yield predictable results”.<sup>4</sup>

Addressing situations in which

the claimed subject matter may involve more than the simple substitution of one known element for another or the mere application of a known technique to a piece of prior art ready for the improvement ... [,]

the Court prescribed:

Often, it will be necessary for a court [or patent examiner] to look to interrelated teachings of multiple patents; the effects of demands known to the marketplace; and the background knowledge possessed by a person having ordinary skill in the art, all in order to determine whether there was some apparent reason to combine the known elements in the fashion claimed ... .

... [I]t can be important to identify a reason that would have prompted a person of ordinary skill in the relevant field to combine the elements in the way the claimed new invention does. This is so because inventions in most, if not all, instances rely upon building blocks long since uncovered, and claimed discoveries almost of necessity will be combinations of what, in some sense, is already known.<sup>5</sup>

*In re Oetiker*, 977 F. 2d 1443, 24 USPQ2d 1443 (Fed. Cir. 1992) is also highly relevant to this appeal. As the Examiner notes<sup>6</sup>, *Oetiker* stands for the proposition that a prior art reference must either be in the field of applicant’s endeavor or, if not, then be reasonably pertinent to the particular problem with which the applicant was concerned. As appellant will demonstrate below, the Maltzman reference, which is the primary reference, clearly fails this test.

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<sup>4</sup> Slip opinion, at p. 12.

<sup>5</sup> Slip opinion, at pp. 14-15.

<sup>6</sup> Final Office Action, page 3, section 4.

## ***II. Overview of the prior art***

The Examiner cites more than a handful of references as purportedly relevant to the rejection of claim 1<sup>7</sup>. Nevertheless, appellant believes that only the Maltzman and Moshal references really bear discussion in view of the issues in this appeal.

Maltzman is directed to an online website of the type (e.g. eBay) used to auction and sell collectibles, household items or other types of tangible goods.<sup>8</sup> Maltzman's website is to be used for individual to individual or business to consumer retail sales.<sup>9</sup> In an aspect that apparently attracted the Examiner's attention, Maltzman discloses selling an item outright via the website prior to a scheduled online auction of the item.<sup>10</sup>

Moshal is primarily concerned with architecture and processing techniques for marketplaces and trading exchanges conducted over an electronic network.<sup>11</sup> Although Moshal describes its trading network in terms broad enough to encompass trading in both tangible items and securities, its main thrust seems to be toward network-based securities exchanges.<sup>12</sup> The Examiner appears to have cited Moshal principally because it refers in passing to the known practice of conducting an initial public offering by Dutch Auction.<sup>13</sup>

## ***III. Overview of the claimed invention and the problem addressed by it***

It could be said that the method recited in claim 1 is a novel and unobvious application of the dictum from Louis Brandeis that "[s]unlight is the best disinfectant"<sup>14</sup>. The present invention

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<sup>7</sup> In fact, it appears that the bulk of the references are pertinent only to dependent claims.

<sup>8</sup> See, e.g., FIGS. 6-9 and paragraphs 0003 to 0005 in Maltzman.

<sup>9</sup> Id.

<sup>10</sup> See, e.g., paragraphs 0018, 0035 and 0040 in Maltzman.

<sup>11</sup> See Moshal, FIGS. 1, 2, 4A, 4B, 5; paragraphs 0066, 0067, 0071, 0204, 0205, for example.

<sup>12</sup> See, e.g., paragraphs 0058, 0066, 0241, 0251, 0252; FIGS. 10A-10E, 11 in Moshal.

<sup>13</sup> See paragraph 0096 in Moshal; see also page 6, last two lines of the Final Office Action.

<sup>14</sup> *Other People's Money, and How the Bankers Use It*, 1933

addresses scandals that arose in connection with initial public offerings during the dot-com bubble. Among other concerns, it appeared in some cases that investment banks favored corporate officials with allocations of “hot” IPO stocks, with the expectation that the favored corporate officials would obtain large profits from quick increases in the stocks after issuance.<sup>15</sup> It was supposed that, in turn, the corporate officials would direct corporate underwriting or other business to the investment banks, and that these practices could amount to bribery of corporate officials by their investment bankers. This could distort the market for investment banking services, while also potentially preventing issuers of the IPOs from raising the maximum amount of capital due to possible underpricing of IPOs.

One obvious, known way of overcoming this concern would be to price the shares via a public auction. However, such an approach may not generate sufficient market enthusiasm to maximize the price obtained. According to the present invention, a public auction of a portion of the IPO shares is preceded by sale of part of the IPO at a price set by the issuer/investment bank. The sale at a set price before the auction may stimulate interest and superior pricing in the subsequent auction. To deter abuse and provide transparency for the pre-auction set-price sale, the identities of buyers in the pre-auction sale (along with the sale price, of course) are published to the market. In addition to providing transparency, the identities of the pre-auction buyers (assuming at least some of them are prominent and/or institutional investors with good track records) may build confidence and interest in the subsequent auction, leading to favorable prices at auction for the issuer.

***IV. Claims 1 and 3-9 are patentable over the prior art applied by the Examiner.***

Claim 1 is taken as representative of claims 1 and 3-9. It is appellant’s intent that the rejected claims stand or fall together.

\* \* \* \* \*

Appellant’s primary contention in this appeal is that the Maltzman reference is essentially without pertinence to the invention recited in claim 1. Appellant agrees with the Examiner’s statement of the rule that determines this question. That is, Maltzman is to be considered

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<sup>15</sup> See specification of this application, at page 1, lines 19-23.

“analogous art” only if it is “in the field of applicant’s endeavor...or...reasonably pertinent to the particular problem with which the applicant was concerned”.<sup>16</sup> However, appellant strongly contends that the Examiner’s application of this rule is entirely off-target.

To recapitulate the “Summary of Claimed Subject Matter” as recited above<sup>17</sup>, the field of appellant’s endeavor is initial public offerings of shares of stock, and the problem with which appellant was concerned was preventing underpricing and favoritism in allocation of IPO shares. In this light, it will be apparent that the Maltzman reference does not meet either of the alternative prongs of the *Oetiker* test.

As to field of endeavor, Maltzman is not concerned at all with IPOs. Maltzman’s teachings are in an entirely different field, to wit, online commerce in collectibles and other tangible goods.

By the same token, Maltzman is not in the least degree pertinent to the problem of how to prevent underpricing and corruption in connection with IPOs. One of ordinary skill in the field of corporate finance, and concerned with the integrity of IPO pricing and allocation, would not benefit at all from any teaching in Maltzman. Maltzman is merely concerned with pre-auction sales of goods at a fixed price via an auction website.

Accordingly, appellant respectfully submits that it was not proper for the Examiner to cite or attempt to rely on Maltzman’s teachings in regard to the present invention. This Honorable Board is respectfully requested to reverse the rejection of claims 1 and 3-9.

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Appellant further contends that, even if Maltzman were qualified to serve as analogous art, the Examiner’s proposed combination of Maltzman with Moshal would still constitute a hindsight-driven reconstruction of the invention that does not reflect the actual teachings of the references.

The Examiner proposes the motivation of “offering a system for a plurality of exchanges” as a basis for combining Moshal with Maltzman.<sup>18</sup> However, this motivation, taken from paragraphs 0006-0009 of Moshal, presents no reason for modifying Maltzman so as to be related to sales of shares in an IPO. If the present invention were concerned with online commerce, then

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<sup>16</sup> *In re Oetiker*, 977 F.2d 1443, 24 USPQ2d 1443 (Fed. Cir. 1992); Final Office Action, page 3, section 4.

<sup>17</sup> Page 3, *supra*.

<sup>18</sup> Final Office Action, page 7, first paragraph.



a combination of Maltzman with Moshal might be in order. But as the matter stands, Moshal's teachings in regard to alternative techniques for online trading provide nothing that is relevant to IPOs. The passing reference in Moshal to Dutch Auction IPOs does not change the fact that Maltzman plus Moshal would only produce a more versatile network-based trading platform, and would not result in the claimed invention relative to allocating shares in an IPO.

On this additional ground as well, appellant respectfully submits that reversal of the pending rejection is warranted.

### **CONCLUSION**

The rejection of the claims herein is improper at least because the Examiner relied on nonanalogous art, and because the combined teachings of the references would not lead those of ordinary skill to produce the claimed invention. The Examiner's decision should therefore be reversed.

As required by 37 CFR §41.37(a)(1), this Brief is filed within two months from the date of filing of Appellant's Notice of Appeal (*i.e.*, within two months of July 23, 2008); as such, no extension of time is believed due. Also, the requisite fee for filing an Appeal Brief is submitted herewith. However, if any additional fees are due in conjunction with this matter, the Commissioner is hereby authorized to charge them to Deposit Account 50-1852. An Appendix of claims involved in this appeal is attached hereto.

If any issues remain, or if the Examiner or the Board has any further suggestions for expediting allowance of the present application, kindly contact the undersigned using the information provided below.

Respectfully submitted,

September 22, 2008  
Date

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## APPENDIX A—CLAIMS

1. A computer implemented method for allocating shares of stock comprising an initial public offering, the method comprising:

    offering in a computer system, a subset of the shares to one or more pre-auction bidders at a pre-auction price;

    receiving into a memory in the computer system, an indication from the one or more pre-auction bidders accepting the offer for the shares at the pre-auction price;

    publishing in the computer system, information descriptive of one or more pre-auction sales of shares comprising the initial public offering, said information descriptive of the pre-auction sales of shares including the pre-auction price and identification of bidders who bought shares at the pre-auction price;

    accepting into the memory in the computer system, the offer for shares at the pre-auction price; and

    auctioning with a processor in the computer system, the remaining shares.

2. (canceled)

3. The method of claim 1 additionally comprising the step of publishing via the computer system, the number of shares offered at the pre-auction price.

4. The method of claim 1 additionally comprising the step of publishing via the computer system, how many shares each pre-auction bidder received.

5. The method of claim 1 additionally comprising the step of determining with the processor in the computer system, pre-auction bidders based upon at least one of: investor suitability, investment objectives and prior investment history.

6. The method of claim 1 wherein the pre-auction price is determined by an issuer of the stock and an underwriter for the stock.

7. The method of claim 1 additionally comprising the step of making available in the computer system, a list of those pre-auction bidders that have previously purchased pre-auction shares comprising an offering underwritten by an investment bank involved in the initial public offering.

8. The method of claim 7 additionally comprising the step of making available in the computer system, information descriptive of an investment experience related to the previously purchased pre-auction shares comprising the pre-auction price of the previously purchased pre-auction shares.

9. The method of claim 1 additionally comprising the steps of: setting in the memory in the computer system, a reserve price for the initial public offering; and determining with the processor in the computer system, a total amount to be received from accepted pre-auction offers and auction bids; and conditioning with the processor in the computer system, sale of the shares comprising the initial public offering, upon the total amount equaling or exceeding the reserve price.

10. The method of claim 1 wherein auctioning comprises the steps of: receiving into the memory in the computer system, one or more bids comprising a price per share and a number of shares; and allocating with the processor in the computer system, shares according to a highest price per share bid for a corresponding number of shares until all shares comprising the initial public offering have been allocated.

11. The method of claim 10 wherein if more than one bid is received comprising the same price per share, shares are allocated for that price on a first bid received, first shares allocated basis.

12. The method of claim 10 wherein if more than one bid is received comprising the same price per share, shares are allocated for that price on a pro rata basis.

13-19. (canceled)

## APPENDIX B - EVIDENCE

No evidence is being submitted with this Appeal Brief (*i.e.*, this appendix is empty).

## APPENDIX C - RELATED PROCEEDINGS

No prior or pending appeals, interferences, or judicial proceedings are known to Applicants, Applicants' legal representative, or assignee, which may be related to, directly affect, be directly affected by, or have a bearing on the Board's decision in the pending appeal. Therefore, there are no copies of decisions rendered by a court or the Board to attach (*i.e.*, this appendix is empty).